

KOSSUTH COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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KOSSUTH COUNTY

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|----------------------|---------------------|
| Donald Besch | Board of Supervisors | Jan. 2007 |
| Lee Froehlich | Board of Supervisors | Jan. 2007 |
| Donald G. McGregor | Board of Supervisors | Jan. 2007 |
| Eugene Elsbecker | Board of Supervisors | Jan. 2009 |
| Jack Plathe | Board of Supervisors | Jan. 2009 |
| Joann Bormann | County Auditor | Jan. 2009 |
| Nicholas P. Rahm | County Treasurer | Jan. 2007 |
| Karen Benschoter | County Recorder | Jan. 2007 |
| Paul Gronbach | County Sheriff | Jan. 2009 |
| Todd Holmes | County Attorney | Jan. 2007 |
| K. Donald Patton | County Assessor | Jan. 2010 |

INDEPENDENT AUDITOR'S REPORT

To the Officials of Kossuth County:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Kossuth County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County at June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2006 on our consideration of Kossuth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 50 through 53 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Kossuth County's basic financial statements. The financial statements for the three years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 14, 2006

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Basic Financial Statements

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|--------------|
| Assets | | | |
| Cash and pooled investments | \$ 7,977,719 | \$ 282,576 | \$ 8,260,295 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 13,994 | - | 13,994 |
| Succeeding year | 6,597,000 | - | 6,597,000 |
| Interest and penalty on property tax | 60,255 | - | 60,255 |
| Accounts | 6,624 | 39,453 | 46,077 |
| Accrued interest | 103,783 | 3,579 | 107,362 |
| Drainage assessments: | | | |
| Current | 49,849 | - | 49,849 |
| Future | 157,943 | - | 157,943 |
| Due from other governments | 505,494 | 4,263 | 509,757 |
| Inventories | 474,126 | - | 474,126 |
| Restricted cash and pooled investments | - | 635,220 | 635,220 |
| Capital assets, net of accumulated depreciation (note 5) | 37,243,195 | 685,461 | 37,928,656 |
| Total assets | 53,189,982 | 1,650,552 | 54,840,534 |
| Liabilities | | | |
| Accounts payable | 979,415 | 19,056 | 998,471 |
| Salaries and benefits payable | 225,022 | 14,487 | 239,509 |
| Due to other governments (note 6) | 335,307 | - | 335,307 |
| Incurred but not reported claims | 176,112 | - | 176,112 |
| Deferred revenue: | | | |
| Succeeding year property tax | 6,597,000 | - | 6,597,000 |
| Long-term liabilities (note 7): | | | |
| Portion due or payable within one year: | | | |
| Drainage warrants | 186,408 | - | 186,408 |
| Purchase agreement | - | 8,814 | 8,814 |
| Compensated absences | 284,865 | 11,933 | 296,798 |
| Portion due or payable after one year: | | | |
| Estimated liability for landfill closure and postclosure care | - | 579,410 | 579,410 |
| Total liabilities | 8,784,129 | 633,700 | 9,417,829 |

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 37,243,195 | \$ 676,647 | \$ 37,919,842 |
| Restricted for: | | | |
| Supplemental levy purposes | 876,489 | - | 876,489 |
| Mental health purposes | 763,257 | - | 763,257 |
| Rural services | 730,816 | - | 730,816 |
| Secondary roads | 1,372,625 | - | 1,372,625 |
| Capital projects | 178,811 | - | 178,811 |
| Other special revenue purposes | 293,702 | - | 293,702 |
| Closure and postclosure care | - | 55,810 | 55,810 |
| Unrestricted | 2,946,958 | 284,395 | 3,231,353 |
| Total net assets | \$ <u>44,405,853</u> | \$ <u>1,016,852</u> | \$ <u>45,422,705</u> |

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

| Functions/Programs | Expenses | Program Revenues | | |
|---|---------------|------------------|---|--|
| | | Charges for | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| | | Services | | |
| Governmental Activities: | | | | |
| Public safety and legal services | \$ 2,244,205 | \$ 217,911 | \$ 36,763 | \$ - |
| Physical health and social services | 362,222 | 12,125 | 217,885 | - |
| Mental health | 2,023,384 | 504 | 965,364 | - |
| County environment and education | 995,331 | 76,274 | 11,490 | 302,900 |
| Roads and transportation | 6,490,817 | 134,160 | 3,971,525 | 1,531,037 |
| Government services to residents | 588,392 | 300,141 | 126,578 | - |
| Administration | 1,411,706 | 35,141 | 6,375 | - |
| Non-program | 59,806 | - | - | - |
| Interest and fiscal charges on long-term debt | 101,738 | - | 156,925 | - |
| Total governmental activities | 14,277,601 | 776,256 | 5,492,905 | 1,833,937 |
| Business-type Activities: | | | | |
| Landfill | 490,917 | 473,054 | 525 | - |
| Total | \$ 14,768,518 | \$ 1,249,310 | \$ 5,493,430 | \$ 1,833,937 |
| General Revenues: | | | | |
| Property and other county tax levied for: | | | | |
| General purposes | | | | |
| Penalty and interest on property tax | | | | |
| State tax credits | | | | |
| Payments in lieu of taxes | | | | |
| Local option sales and services tax | | | | |
| Unrestricted investment earnings | | | | |
| Drainage assessments | | | | |
| Miscellaneous | | | | |
| Total general revenues | | | | |
| Change in net assets | | | | |
| Net assets beginning of year | | | | |
| Net assets end of year | | | | |
| See notes to financial statements. | | | | |

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|----------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (1,989,531) | \$ - | \$ (1,989,531) |
| (132,212) | - | (132,212) |
| (1,057,516) | - | (1,057,516) |
| (604,667) | - | (604,667) |
| (854,095) | - | (854,095) |
| (161,673) | - | (161,673) |
| (1,370,190) | - | (1,370,190) |
| (59,806) | - | (59,806) |
| 55,187 | - | 55,187 |
| (6,174,503) | - | (6,174,503) |
| - | (17,338) | (17,338) |
| (6,174,503) | (17,338) | (6,191,841) |
| 6,928,628 | - | 6,928,628 |
| 40,362 | - | 40,362 |
| 463,152 | - | 463,152 |
| 10,343 | - | 10,343 |
| 644,782 | - | 644,782 |
| 253,566 | 21,682 | 275,248 |
| 263,400 | - | 263,400 |
| 28,226 | - | 28,226 |
| 8,632,459 | 21,682 | 8,654,141 |
| 2,457,956 | 4,344 | 2,462,300 |
| 41,947,897 | 1,012,508 | 42,960,405 |
| \$ <u>44,405,853</u> | \$ <u>1,016,852</u> | \$ <u>45,422,705</u> |

KOSSUTH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

| | | Special Revenue | | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments | \$ 2,722,704 | \$ 1,132,750 | \$ 621,449 | \$ 1,595,657 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 10,606 | 1,291 | 2,097 | - |
| Succeeding year | 4,338,000 | 528,000 | 1,731,000 | - |
| Interest and penalty on property tax | 60,255 | - | - | - |
| Accounts | 673 | 444 | - | 4,527 |
| Accrued interest | 77,033 | - | - | - |
| Drainage assessments: | | | | |
| Current | - | - | - | - |
| Future | - | - | - | - |
| Due from other funds (note 3) | - | - | - | 4,767 |
| Due from other governments | 66,979 | 12,198 | 108,732 | 311,777 |
| Inventories | - | - | - | 474,126 |
| Total assets | \$ <u>7,276,250</u> | \$ <u>1,674,683</u> | \$ <u>2,463,278</u> | \$ <u>2,390,854</u> |

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$ 499,566 | \$ 6,572,126 |
| - | 13,994 |
| - | 6,597,000 |
| - | 60,255 |
| - | 5,644 |
| - | 77,033 |
| 49,849 | 49,849 |
| 157,943 | 157,943 |
| - | 4,767 |
| 5,808 | 505,494 |
| - | 474,126 |
| <u>\$ 713,166</u> | <u>\$ 14,518,231</u> |

KOSSUTH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

| | | Special Revenue | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 68,039 | \$ 73,709 | \$ 78 | \$ 704,528 |
| Salaries and benefits payable | 45,043 | 1,488 | 1,384 | 177,107 |
| Due to other funds (note 3) | 4,767 | - | - | - |
| Due to other governments (note 6) | 37,933 | 296,600 | - | 774 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 4,338,000 | 528,000 | 1,731,000 | - |
| Other | 70,575 | 1,258 | 1,961 | - |
| Total liabilities | <u>4,564,357</u> | <u>901,055</u> | <u>1,734,423</u> | <u>882,409</u> |
| Fund balance: | | | | |
| Reserved for: | | | | |
| Inventories | - | - | - | 474,126 |
| Supplemental levy purposes | 888,491 | - | - | - |
| Drainage warrants | - | - | - | - |
| Unreserved: | | | | |
| Designated for nature center | 150,000 | - | - | - |
| Undesignated, reported in: | | | | |
| General Fund | 1,673,402 | - | - | - |
| Special revenue funds | - | 773,628 | 728,855 | 1,034,319 |
| Capital projects fund | - | - | - | - |
| Total fund balances | <u>2,711,893</u> | <u>773,628</u> | <u>728,855</u> | <u>1,508,445</u> |
| Total liabilities and fund balances | <u>\$ 7,276,250</u> | <u>\$ 1,674,683</u> | <u>\$ 2,463,278</u> | <u>\$ 2,390,854</u> |

See notes to financial statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$ 54,245 | \$ 900,599 |
| - | 225,022 |
| - | 4,767 |
| - | 335,307 |
| - | 6,597,000 |
| 207,792 | 281,586 |
| <u>262,037</u> | <u>8,344,281</u> |
| - | 474,126 |
| - | 888,491 |
| 11,745 | 11,745 |
| - | 150,000 |
| - | 1,673,402 |
| 260,573 | 2,797,375 |
| 178,811 | 178,811 |
| <u>451,129</u> | <u>6,173,950</u> |
| <u>\$ 713,166</u> | <u>\$ 14,518,231</u> |

KOSSUTH COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

| | |
|---|--------------|
| Total fund balances of governmental funds | \$ 6,173,950 |
|---|--------------|

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|---|------------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$75,681,006 and the accumulated depreciation is \$38,437,811. | 37,243,195 |
|---|------------|

| | |
|---|---------|
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 281,586 |
|---|---------|

| | |
|--|-----------|
| The Internal Service Funds are used by management to charge the costs of self funding of the County's health insurance benefit plan and the employee flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net assets. | 1,178,395 |
|--|-----------|

| | |
|---|--|
| Long-term liabilities, including drainage warrants payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <div style="border-top: 1px solid black; display: inline-block;">(471,273)</div> |
|---|--|

| | |
|---------------------------------------|---|
| Net assets of governmental activities | <div style="border-top: 3px double black; display: inline-block;">\$ 44,405,853</div> |
|---------------------------------------|---|

See notes to financial statements.

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KOSSUTH COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

| | Special Revenue | | | |
|---|-----------------|------------------|-------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other County tax | \$ 4,496,817 | \$ 801,132 | \$ 2,192,705 | \$ - |
| Interest and penalty on property tax | 46,499 | - | - | - |
| Intergovernmental | 739,941 | 1,020,062 | 111,817 | 4,285,643 |
| Licenses and permits | 6,150 | - | - | 1,250 |
| Charges for service | 541,422 | - | - | 51,302 |
| Use of money and property | 248,285 | - | - | 24,310 |
| Miscellaneous | 13,368 | 504 | - | 10,423 |
| Total revenues | 6,092,482 | 1,821,698 | 2,304,522 | 4,372,928 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 2,286,025 | - | - | - |
| Physical health and social services | 364,265 | - | - | - |
| Mental health | - | 2,045,768 | - | - |
| County environment and education | 490,041 | - | 162,124 | - |
| Roads and transportation | - | - | - | 5,470,796 |
| Government services to residents | 687,669 | - | - | - |
| Administration | 1,402,202 | - | 1,287 | - |
| Non-program | 59,806 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | 1,226,331 |
| Total expenditures | 5,290,008 | 2,045,768 | 163,411 | 6,697,127 |
| Excess (deficiency) of revenues over (under) expenditures | 802,474 | (224,070) | 2,141,111 | (2,324,199) |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | - | 31,050 |
| Interfund transfers in (note 4) | 24,935 | - | 21,801 | 2,053,394 |
| Interfund transfers out (note 4) | (140,670) | - | (1,912,724) | - |
| Note proceeds | - | - | - | - |
| Payments to fiscal agent | - | - | - | - |
| Drainage warrants issued | - | - | - | - |
| Total other financing sources (uses) | (115,735) | - | (1,890,923) | 2,084,444 |

| Nonmajor Governmental | | | |
|--------------------------|------------------|-------|-------------------|
| Funds | | Total | |
| | | | |
| \$ | 86,211 | \$ | 7,576,865 |
| | - | | 46,499 |
| | 108,640 | | 6,266,103 |
| | - | | 7,400 |
| | 3,949 | | 596,673 |
| | 139,635 | | 412,230 |
| | 648,599 | | 672,894 |
| | <u>987,034</u> | | <u>15,578,664</u> |
| | | | |
| | 4,848 | | 2,290,873 |
| | - | | 364,265 |
| | - | | 2,045,768 |
| | - | | 652,165 |
| | - | | 5,470,796 |
| | 9,349 | | 697,018 |
| | - | | 1,403,489 |
| | - | | 59,806 |
| | 600,342 | | 600,342 |
| | 475,130 | | 1,701,461 |
| | <u>1,089,669</u> | | <u>15,285,983</u> |
| | | | |
| | <u>(102,635)</u> | | <u>292,681</u> |
| | | | |
| | - | | 31,050 |
| | - | | 2,100,130 |
| | (46,736) | | (2,100,130) |
| | 4,243,492 | | 4,243,492 |
| | (4,422,966) | | (4,422,966) |
| | 245,916 | | 245,916 |
| | <u>19,706</u> | | <u>97,492</u> |

KOSSUTH COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

| | | Special Revenue | | |
|---------------------------------|---------------------|-------------------|-------------------|---------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Net change in fund balances | \$ 686,739 | \$ (224,070) | \$ 250,188 | \$ (239,755) |
| Fund balances beginning of year | 2,025,154 | 997,698 | 478,667 | 1,748,200 |
| Fund balances end of year | <u>\$ 2,711,893</u> | <u>\$ 773,628</u> | <u>\$ 728,855</u> | <u>\$ 1,508,445</u> |

See notes to financial statements.

| Nonmajor Governmental Funds | | Total |
|-----------------------------------|----------|--------------|
| | | |
| \$ | (82,929) | \$ 390,173 |
| | | |
| | 534,058 | 5,783,777 |
| | | |
| \$ | 451,129 | \$ 6,173,950 |

KOSSUTH COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 390,173

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

| | | |
|---|--------------------|-----------|
| Capital outlays | \$ 3,063,876 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,309,560 | |
| Depreciation expense | <u>(2,956,001)</u> | 1,417,435 |

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

| | | |
|----------------------|------------------|-------------|
| Property tax | (3,055) | |
| Drainage assessments | (74,093) | |
| Note receivable | (4,243,492) | |
| Other | <u>(148,003)</u> | (4,468,643) |

Drainage warrant proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term liabilities in the
statement of net assets. (118,031)

Repayment of bond, purchase agreement, and drainage warrant principal are
expenditures in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net assets. 4,847,279

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

| | | |
|----------------------------|---------------|--------|
| Compensated absences | (11,173) | |
| Interest on long-term debt | <u>54,312</u> | 43,139 |

KOSSUTH COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

The Internal Service Funds are used by management to charge the costs of employee health and flexible benefits to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities.

\$ 346,604

Change in net assets of governmental activities

\$ 2,457,956

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

| | Business-type Activities Enterprise Fund - Landfill | Governmental Activities Internal Service Funds |
|--|---|--|
| Assets | | |
| Current assets: | | |
| Cash and pooled investments | \$ 282,576 | \$ 1,405,593 |
| Receivables: | | |
| Accounts | 39,453 | 980 |
| Accrued interest | 3,579 | 26,750 |
| Due from other governments | 4,263 | - |
| Total current assets | <u>329,871</u> | <u>1,433,323</u> |
| Non-current assets: | | |
| Restricted cash and pooled investments | 635,220 | - |
| Capital assets, net of accumulated depreciation | 685,461 | - |
| Total non-current assets | <u>1,320,681</u> | <u>-</u> |
| Total assets | <u>1,650,552</u> | <u>1,433,323</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 19,056 | 78,816 |
| Salaries and benefits payable | 14,487 | - |
| Incurred but not reported claims | - | 176,112 |
| Purchase agreement | 8,814 | - |
| Compensated absences | 11,933 | - |
| Total current liabilities | <u>54,290</u> | <u>254,928</u> |
| Non-current liabilities: | | |
| Estimated liability for landfill closure and postclosure care | <u>579,410</u> | <u>-</u> |
| Total liabilities | <u>633,700</u> | <u>254,928</u> |

KOSSUTH COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

| | Business-type Activities Enterprise Fund - Landfill | Governmental Activities Internal Service Funds |
|---|---|--|
| Net Assets | | |
| Invested in capital assets, net of related debt | \$ 676,647 | \$ - |
| Restricted for closure and postclosure care | 55,810 | - |
| Unrestricted | <u>284,395</u> | <u>1,178,395</u> |
| Total net assets | <u>\$ 1,016,852</u> | <u>\$ 1,178,395</u> |

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

| | Business-type Activities Enterprise Fund - Landfill | Governmental Activities Internal Service Funds |
|--|---|--|
| Operating revenues: | | |
| Intergovernmental | \$ 525 | \$ - |
| Charges for service | 462,610 | - |
| Miscellaneous: | | |
| Reimbursements from operating funds | - | 1,360,338 |
| Reimbursements from employees and others | 444 | 85,658 |
| Total operating revenues | <u>463,579</u> | <u>1,445,996</u> |
| Operating expenses: | | |
| Governmental activities: | | |
| Medical claims | - | 939,935 |
| Administration and network access fees | - | 50,155 |
| Stop-loss premiums | - | 150,736 |
| Business type activities | | |
| Closure and postclosure care | 12,035 | - |
| Depreciation | 47,818 | - |
| Interest | 1,102 | - |
| Other | 429,962 | - |
| Total operating expenses | <u>490,917</u> | <u>1,140,826</u> |
| Operating income (loss) | (27,338) | 305,170 |
| Non-operating revenues: | | |
| Interest income | 21,682 | 41,434 |
| Rent income | 10,000 | - |
| Total non-operating revenues | <u>31,682</u> | <u>41,434</u> |
| Net income | 4,344 | 346,604 |
| Net assets beginning of year | <u>1,012,508</u> | <u>831,791</u> |
| Net assets end of year | <u>\$ 1,016,852</u> | <u>\$ 1,178,395</u> |

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

| | Business-type Activities Enterprise Fund - Landfill | Governmental Activities Internal Service Funds |
|---|---|--|
| Cash flows from operating activities: | | |
| Cash received from operating fund reimbursements | \$ - | \$ 1,360,338 |
| Cash received from customers and others | 462,148 | 84,678 |
| Cash received from operating grants | 525 | - |
| Cash paid to suppliers for services | (452,665) | (993,789) |
| Net cash provided by operating activities | <u>10,008</u> | <u>451,227</u> |
| Cash flows from investing activities: | | |
| Interest on investments | 24,011 | 17,069 |
| Rent | 10,000 | - |
| Purchase of investments | (21,064) | (1,009,374) |
| Net cash provided by (used by) investing activities | <u>12,947</u> | <u>(992,305)</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of capital assets | (2,428) | - |
| Purchase agreement principal paid | (34,389) | - |
| Net cash used by capital and related financing activities | <u>(36,817)</u> | <u>-</u> |
| Net decrease in cash and cash equivalents | (13,862) | (541,078) |
| Cash and cash equivalents at beginning of year | <u>187,321</u> | <u>937,297</u> |
| Cash and cash equivalents at end of year | <u>\$ 173,459</u> | <u>\$ 396,219</u> |

KOSSUTH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

| | Business-type Activities Enterprise Fund - Landfill | Governmental Activities Internal Service Funds |
|---|---|--|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ (27,338) | \$ 305,170 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 47,818 | - |
| (Increase) in accounts receivable and other receivables | (906) | (980) |
| Increase (decrease) in accounts payable and other current liabilities | (7,115) | 147,037 |
| (Decrease) in liability for closure and postclosure care costs | (2,451) | - |
| Net cash provided by operating activities | \$ <u>10,008</u> | \$ <u>451,227</u> |
| Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets: | | |
| Current assets: | | |
| Cash and pooled investments | \$ 282,576 | \$ 1,405,593 |
| Restricted assets: | | |
| Cash and pooled investments | <u>635,220</u> | <u>-</u> |
| | 917,796 | 1,405,593 |
| Less items not meeting the definition of a cash equivalent: | | |
| Certificates of deposit | <u>(744,337)</u> | <u>(1,009,374)</u> |
| Cash and cash equivalents end of year | \$ <u>173,459</u> | \$ <u>396,219</u> |

See notes to financial statements.

KOSSUTH COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

| | |
|-----------------------------------|--------------------|
| Assets | |
| Cash and pooled investments: | |
| County Treasurer | \$ 1,000,053 |
| Other County officials | 10,086 |
| Receivables: | |
| Property tax: | |
| Delinquent | 44,322 |
| Succeeding year | 14,844,000 |
| Accounts | 28,158 |
| Accrued interest | 719 |
| Special assessments | 50,540 |
| Drainage assessments: | |
| Current | 9,843 |
| Future | 1,353,869 |
| Due from other governments | <u>1,304</u> |
| Total assets | <u>17,342,894</u> |
| Liabilities | |
| Accounts payable | 14,690 |
| Salaries and benefits payable | 1,609 |
| Due to other governments (note 6) | 16,707,094 |
| Trusts payable | 10,045 |
| Drainage warrants payable | 593,600 |
| Compensated absences | <u>15,856</u> |
| Total liabilities | <u>17,342,894</u> |
| Net assets | \$ <u><u>-</u></u> |

See notes to financial statements.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

Kossuth County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Kossuth County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Kossuth County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Five hundred seventy-six drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from the agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, some are controlled, managed and supervised by the Kossuth County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Kossuth County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Kossuth County Assessor's Conference Board, Kossuth County Emergency Management Commission, and Kossuth County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The County reports the following major proprietary fund:

The Landfill Fund is used to account for the operation of the County's sanitary landfill.

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. The principal operating revenues of the County's Internal Service Funds are reimbursements from County departments for self insurance costs and payments from employees for flexible benefit contributions. Operating expenses for the Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2006 included certificates of deposit of \$1,753,711 with maturity dates longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent amounts assessed to individuals for work done that benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Current drainage assessments receivable represents assessments which are due and payable but have not been collected. Future drainage assessments receivable represents remaining assessments which are payable but not yet due.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|----------------------------------|---------------|
| Infrastructure | \$ 50,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 25-50 |
| Improvements other than buildings | 10-50 |
| Infrastructure | 10-65 |
| Equipment | 3-20 |
| Vehicles | 3-15 |

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$138,507 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-----------------|
| Special Revenue: | | |
| Secondary Roads | General | \$ <u>4,767</u> |

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|-------------------------------------|--------------------------------------|---------------------|
| Special Revenue: Secondary Roads | General | \$ 140,670 |
| | Special Revenue: Rural Services | 1,912,724 |
| General | Midwest Grain Processors | 24,935 |
| Special Revenue: Rural Services | Local Option Sales Tax Revenue Bonds | <u>21,801</u> |
| | | <u>\$ 2,100,130</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|---------------------|-------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,531,462 | \$ - | \$ - | \$ 1,531,462 |
| Construction in progress | 128,331 | - | 128,331 | - |
| Total capital assets not being depreciated | <u>1,659,793</u> | <u>-</u> | <u>128,331</u> | <u>1,531,462</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 5,283,334 | - | - | 5,283,334 |
| Improvements other than buildings | 161,952 | 10,317 | - | 172,269 |
| Machinery and equipment | 11,013,671 | 1,059,642 | 457,224 | 11,616,089 |
| Infrastructure | 53,646,044 | 3,431,808 | - | 57,077,852 |
| Total capital assets being depreciated | <u>70,105,001</u> | <u>4,501,767</u> | <u>457,224</u> | <u>74,149,544</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,651,284 | 103,902 | - | 1,755,186 |
| Improvements other than buildings | 30,193 | 8,795 | - | 38,988 |
| Machinery and equipment | 6,425,818 | 772,515 | 457,224 | 6,741,109 |
| Infrastructure | 27,831,739 | 2,070,789 | - | 29,902,528 |
| Total accumulated depreciation | <u>35,939,034</u> | <u>2,956,001</u> | <u>457,224</u> | <u>38,437,811</u> |
| Total capital assets being depreciated, net | <u>34,165,967</u> | <u>1,545,766</u> | <u>-</u> | <u>35,711,733</u> |
| Governmental activities capital assets, net | <u>\$ 35,825,760</u> | <u>\$ 1,545,766</u> | <u>\$ 128,331</u> | <u>\$ 37,243,195</u> |
| Business -type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 261,000 | \$ - | \$ - | \$ 261,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 246,630 | - | - | 246,630 |
| Equipment and vehicles | 976,770 | 21,367 | 31,564 | 966,573 |
| Total capital assets being depreciated | <u>1,223,400</u> | <u>21,367</u> | <u>31,564</u> | <u>1,213,203</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 93,377 | 8,585 | - | 101,962 |
| Equipment and vehicles | 660,173 | 39,233 | 12,626 | 686,780 |
| Total accumulated depreciation | <u>753,550</u> | <u>47,818</u> | <u>12,626</u> | <u>788,742</u> |
| Total capital assets being depreciated, net | <u>469,850</u> | <u>(26,451)</u> | <u>18,938</u> | <u>424,461</u> |
| Business-type activities capital assets, net | <u>\$ 730,850</u> | <u>\$ (26,451)</u> | <u>\$ 18,938</u> | <u>\$ 685,461</u> |

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

| | |
|-------------------------------------|---------------|
| Public safety and legal services | \$ 105,687 |
| Physical health and social services | 1,166 |
| Mental health | 5,916 |
| County environment and education | 13,228 |
| Roads and transportation | 2,756,606 |
| Government services to residents | 33,121 |
| Administration | <u>40,277</u> |

| | |
|--|----------------------------|
| Total depreciation expense - governmental activities | <u><u>\$ 2,956,001</u></u> |
|--|----------------------------|

Business-type activities:

| | |
|----------|-------------------------|
| Landfill | <u><u>\$ 47,818</u></u> |
|----------|-------------------------|

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------|-----------------------------|
| General | Services | \$ 37,933 |
| Special Revenue: | | |
| Mental Health | Services | 296,600 |
| Secondary Roads | Services | <u>774</u> |
| Total for governmental funds | | <u><u>\$ 335,307</u></u> |
| Agency: | | |
| County Assessor | Collections | \$ 461,584 |
| Schools | | 10,248,428 |
| Community Colleges | | 681,344 |
| Corporations | | 3,318,867 |
| Townships | | 286,001 |
| County Hospital | | 286,594 |
| Auto License and Use Tax | | 327,421 |
| Drainage Districts | | 848,131 |
| All Other | | <u>248,724</u> |
| Total for agency funds | | <u><u>\$ 16,707,094</u></u> |

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2006

Note 7. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2006 is as follows:

| | Local Option Sales Tax Revenue Bonds | General Obligation Bonds | Purchase Agreement | Drainage Warrants | Compensated Absences | Total |
|---------------------------|--|--------------------------------|-----------------------|----------------------|-------------------------|--------------|
| Balance beginning of year | \$ 231,910 | \$ 4,305,006 | \$ 107,906 | \$ 270,834 | \$ 273,692 | \$ 5,189,348 |
| Increases | - | - | - | 245,916 | 284,865 | 530,781 |
| Decreases | 231,910 | 4,305,006 | 107,906 | 330,342 | 273,692 | 5,248,856 |
| Balance end of year | \$ - | \$ - | \$ - | \$ 186,408 | \$ 284,865 | \$ 471,273 |
| Due within one year | \$ - | \$ - | \$ - | \$ 186,408 | \$ 284,865 | \$ 471,273 |

General Obligation Bonds

During the year ended June 30, 2006, the County entered into an escrow agreement whereby the proceeds from the Midwest Grain Processors note receivable were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the general obligation bonds as they become due until the redemption date of June 1, 2007, at which time the bonds will be called and paid off. After the bonds have been paid, any remaining funds in the escrow account shall be returned to the County. The transactions, balances and liabilities of the escrow account are not recorded by the County. The amount of the general obligation bonds considered defeased and, therefore, excluded from long-term liabilities was \$3,870,000 at June 30, 2006.

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are written. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Rural Development Loan

During the year ended June 30, 2006, the County entered into an interest-free rural development loan agreement with Corn Belt Power Cooperative of Humboldt, Iowa. The loan is for \$300,000 on a draw down basis. The proceeds will be used to help finance construction of a new nature center and emergency shelter at Smith Lake County Park. As of June 30, 2006, no amount had been drawn.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 7. Long-Term Liabilities (continued)

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2006 is as follows:

| | Landfill Closure and Postclosure Care | Compensated Absences | Purchase Agreement | Total |
|---------------------------|--|-------------------------|-----------------------|-------------------|
| Balance beginning of year | \$ 581,861 | \$ 13,145 | \$ 43,203 | \$ 638,209 |
| Increases | - | 11,933 | - | 11,933 |
| Decreases | 2,451 | 13,145 | 34,389 | 49,985 |
| Balance end of year | <u>\$ 579,410</u> | <u>\$ 11,933</u> | <u>\$ 8,814</u> | <u>\$ 600,157</u> |
| Due within one year | <u>\$ -</u> | <u>\$ 11,933</u> | <u>\$ 8,814</u> | <u>\$ 20,747</u> |

Closure and Postclosure Care Costs

To comply with federal and state regulations, the County is required to complete a monitoring system plan, a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology or applicable laws and regulations.

KOSSUTH COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 7. Long-Term Liabilities (continued)

Closure and Postclosure Care Costs (continued)

The total costs for Kossuth County have been estimated at \$141,400 for closure and \$750,000 for postclosure care, for a total of \$891,400 as of June 30, 2006, and the portion of the liability that has been recognized is \$579,410. This liability represents the cumulative amount reported to date based on the use of approximately 65 percent of the capacity of the landfill with a remaining life of fourteen years. A provision for the above liability has been made on the County's Enterprise Fund Statement of Net Assets as of June 30, 2006.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun to accumulate resources to fund these costs and, at June 30, 2006, deposits of \$635,220 are held for these purposes, of which \$150,000 has been reserved for closure and \$485,220 for postclosure care. They are reported as restricted assets on the Statement of Net Assets.

Also, pursuant to Section 567, Chapter 111.6(6) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure costs are not fully funded, the County is required to demonstrate financial assurance for the unfunded costs. The County has adopted the local government financial test mechanism. Under this mechanism, the County must certify the following to the Iowa Department of Natural Resources:

- A ratio of cash and investments to total expenditures of greater than or equal to .5 for the previous two fiscal years.
- A ratio of annual debt service to total expenditures less than or equal to .20 for the previous two fiscal years.
- The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles.
- The County is not in default on any outstanding general obligation bonds.
- The County has no outstanding general obligation bonds rated lower than Baa.
- The County did not operate at a deficit equal to 5 percent or more of total annual revenue in each of the past two fiscal years.
- The County did not receive an adverse opinion or disclaimer of opinion on its financial statements in each of the past two fiscal years.

The County has demonstrated compliance with the above requirements, except for fiscal year ended June 30, 2004 the deficit of revenues under expenditures was greater than 5 percent. The Iowa Department of Natural Resources has formally accepted this variance as acceptable.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 7. Long-Term Liabilities (continued)

Purchase Agreements

On September 1, 2003, the County entered into an agreement with Ziegler, Inc. to purchase a compactor for the landfill. Beginning October 1, 2003, the County was required to make monthly payments of \$2,958, including interest at 4% per annum. A summary of the payments due at June 30, 2006 is as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|-----------------|--------------|-----------------|
| 2007 | 4.00 % | \$ <u>8,814</u> | \$ <u>59</u> | \$ <u>8,873</u> |

Payments under the agreement for the year ended June 30, 2006 totaled \$35,491.

Note 8. Economic Development Loan

During the year ended June 30, 2004, the County sold the County Care Facility to Rabiner Treatment Center for \$90,000. Under the agreement, \$40,000 was paid to the County with the balance of \$50,000 considered an interest-free economic development loan from the County to Rabiner Treatment Center. The loan was to be payable to the County November 1, 2006. However, in July 2006 the payment date was extended to December 1, 2008. The balance due will be reduced by \$1,000 for each staff position created by Rabiner Treatment Center at the facility. Because the amount to be paid to the County is not known, a receivable has not been included in the County's financial statements at June 30, 2006.

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$248,384, \$254,450 and \$242,483, respectively, equal to the required contributions for each year.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 10. Risk Management

Kossuth County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$238,604.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2006

Note 10. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$2,000,000 and \$20,000 (\$50,000 for certain employees), respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Employee Health Insurance Plan

The Internal Service, Self Insurance Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Under a separate co-insurance plan, the County reimburses employees for a portion of the deductible. The amount of the deductibles for employees and the County are as follows:

| | <u>Single</u> | <u>Family</u> |
|----------|---------------|-----------------|
| Employee | \$ 100 | \$ 200 |
| County | <u>400</u> | <u>800</u> |
| | <u>\$ 500</u> | <u>\$ 1,000</u> |

Monthly payments of service fees and plan contributions to the Self Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield from the Self Insurance Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$1,360,338.

KOSSUTH COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2006

Note 11. Employee Health Insurance Plan (continued)

Amounts payable from the Self Insurance Fund at June 30, 2006 total \$254,928, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$1,170,867 at June 30, 2006 and is reported as net assets of the Self Insurance Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

| | |
|---|--------------------------|
| Unpaid claims at July 1, 2005 | \$ 107,891 |
| Incurred claims (including claims incurred but not reported at June 30, 2006) | 1,027,339 |
| Payments | <u>880,302</u> |
| Unpaid claims at June 30, 2006 | \$ <u><u>254,928</u></u> |

Note 12. Construction Commitment

The County has entered into contracts totaling \$648,854 for bridge and culvert construction and replacement. As of June 30, 2006, costs of \$15,750 have been incurred against the contracts. The balance remaining at June 30, 2006 of \$633,104 will be paid as work on the projects progresses.

Note 13. Contingencies

Landfill

At the present time the County has not decided on the future plans for the landfill. They have submitted their landfill continuation analysis to the Iowa Department of Natural Resources that they intend to comply with Section 567 of the Iowa Administrative Code related to leachate collection and liner requirements. They are currently looking at the costs associated with this, how it will be paid for and other options, such as becoming a transfer station.

Litigation

The County is involved in one ongoing lawsuit. The case has not gone to trial yet and the outcome cannot be determined at this time. The County's insurance carrier is affording coverage for the lawsuit.

Note 14. Subsequent Event

On November 21, 2006, the County approved a draw down of \$65,407 on the rural development loan.

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Required Supplementary Information

KOSSUTH COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2006

| | Actual | Less Funds not Required to be Budgeted | Net |
|--|---------------------|---|---------------------|
| RECEIPTS: | | | |
| Property and other County tax | \$ 7,573,933 | \$ - | \$ 7,573,933 |
| Interest and penalty on property tax | 46,480 | - | 46,480 |
| Intergovernmental | 6,348,891 | - | 6,348,891 |
| Licenses and permits | 6,875 | - | 6,875 |
| Charges for service | 677,047 | - | 677,047 |
| Use of money and property | 412,795 | - | 412,795 |
| Miscellaneous | 679,814 | 357,717 | 322,097 |
| Total receipts | <u>15,745,835</u> | <u>357,717</u> | <u>15,388,118</u> |
| DISBURSEMENTS: | | | |
| Public safety and legal services | 2,245,456 | - | 2,245,456 |
| Physical health and social services | 356,104 | - | 356,104 |
| Mental health | 1,909,022 | - | 1,909,022 |
| County environment and education | 651,822 | - | 651,822 |
| Roads and transportation | 5,220,910 | - | 5,220,910 |
| Government services to residents | 821,067 | - | 821,067 |
| Administration | 1,389,987 | - | 1,389,987 |
| Non-program | 59,806 | - | 59,806 |
| Debt service | 600,343 | 365,911 | 234,432 |
| Capital projects | 2,140,991 | 245,916 | 1,895,075 |
| Total disbursements | <u>15,395,508</u> | <u>611,827</u> | <u>14,783,681</u> |
| Excess (deficiency) of receipts over (under) disbursements | 350,327 | (254,110) | 604,437 |
| Other financing uses, net | <u>97,492</u> | <u>245,916</u> | <u>(148,424)</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 447,819 | (8,194) | 456,013 |
| Balance beginning of year, as restated | <u>6,124,307</u> | <u>163,027</u> | <u>5,961,280</u> |
| Balance end of year | <u>\$ 6,572,126</u> | <u>\$ 154,833</u> | <u>\$ 6,417,293</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|--------------|--------------|
| Original | Final | Net |
| | | Variance |
| \$ 7,555,023 | \$ 7,578,904 | \$ (4,971) |
| 30,030 | 30,030 | 16,450 |
| 5,950,289 | 6,151,008 | 197,883 |
| 5,150 | 5,150 | 1,725 |
| 491,378 | 491,378 | 185,669 |
| 1,010,242 | 392,242 | 20,553 |
| 56,805 | 167,305 | 154,792 |
| 15,098,917 | 14,816,017 | 572,101 |
| 2,313,721 | 2,315,321 | 69,865 |
| 402,187 | 402,187 | 46,083 |
| 1,913,400 | 1,913,400 | 4,378 |
| 655,259 | 655,259 | 3,437 |
| 5,227,000 | 5,227,000 | 6,090 |
| 900,096 | 914,270 | 93,203 |
| 1,585,576 | 1,593,076 | 203,089 |
| 59,806 | 59,806 | - |
| 937,852 | 444,852 | 210,420 |
| 1,642,500 | 1,912,600 | 17,525 |
| 15,637,397 | 15,437,771 | 654,090 |
| (538,480) | (621,754) | 1,226,191 |
| 10,100 | 10,100 | (158,524) |
| (528,380) | (611,654) | 1,067,667 |
| 4,802,681 | 5,961,280 | - |
| \$ 4,274,301 | \$ 5,349,626 | \$ 1,067,667 |

KOSSUTH COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2006

| | Governmental Funds | | |
|--------------------------------------|---------------------|---------------------|---------------------|
| | Cash | Accrual | Modified |
| | Basis | Adjust- ments | Accrual Basis |
| Revenues | \$ 15,745,835 | \$ (167,171) | \$ 15,578,664 |
| Expenditures | 15,395,508 | (109,525) | 15,285,983 |
| Net | 350,327 | (57,646) | 292,681 |
| Other financing uses, net | 97,492 | - | 97,492 |
| Beginning fund balances, as restated | 6,124,307 | (340,530) | 5,783,777 |
| Ending fund balances | <u>\$ 6,572,126</u> | <u>\$ (398,176)</u> | <u>\$ 6,173,950</u> |

See accompanying independent auditor's report.

KOSSUTH COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, proprietary funds and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments decreased budgeted disbursements by \$199,626. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

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Other Supplementary Information

KOSSUTH COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

| | Special Revenue | | | |
|-----------------------------------|---|--|-------------------------------------|-----------------------------|
| | County Recorder's Records Management | Resource Enhancement and Protection | Conservation Land Acquisition | Special Response Team |
| Assets | | | | |
| Cash and pooled investments | \$ 28,319 | \$ 62,593 | \$ 58,005 | \$ 409 |
| Receivables: | | | | |
| Drainage assessments: | | | | |
| Current | - | - | - | - |
| Future | - | - | - | - |
| Due from other governments | - | 5,808 | - | - |
| Total assets | <u>\$ 28,319</u> | <u>\$ 68,401</u> | <u>\$ 58,005</u> | <u>\$ 409</u> |
| Liabilities and Fund Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 6,188 | \$ - |
| Deferred revenue | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>6,188</u> | <u>-</u> |
| Fund equity: | | | | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Drainage warrants | - | - | - | - |
| Unreserved | 28,319 | 68,401 | 51,817 | 409 |
| Total fund equity | <u>28,319</u> | <u>68,401</u> | <u>51,817</u> | <u>409</u> |
| Total liabilities and fund equity | <u>\$ 28,319</u> | <u>\$ 68,401</u> | <u>\$ 58,005</u> | <u>\$ 409</u> |

See accompanying independent auditor's report.

| <u>Capital Projects</u> | | | | |
|-------------------------|----------------------------|-------------------------------|----------------------------------|-------------------|
| <u>DARE Program</u> | <u>Drug Forfeiture</u> | <u>Drainage Districts</u> | <u>Nature Center Project</u> | <u>Total</u> |
| \$ 2,190 | \$ 5,341 | \$ 154,833 | \$ 187,876 | \$ 499,566 |
| - | - | 49,849 | - | 49,849 |
| - | - | 157,943 | - | 157,943 |
| - | - | - | - | 5,808 |
| <u>\$ 2,190</u> | <u>\$ 5,341</u> | <u>\$ 362,625</u> | <u>\$ 187,876</u> | <u>\$ 713,166</u> |
| | | | | |
| \$ - | \$ - | \$ 38,992 | \$ 9,065 | \$ 54,245 |
| - | - | 207,792 | - | 207,792 |
| - | - | 246,784 | 9,065 | 262,037 |
| | | | | |
| - | - | 11,745 | - | 11,745 |
| 2,190 | 5,341 | 104,096 | 178,811 | 439,384 |
| 2,190 | 5,341 | 115,841 | 178,811 | 451,129 |
| <u>\$ 2,190</u> | <u>\$ 5,341</u> | <u>\$ 362,625</u> | <u>\$ 187,876</u> | <u>\$ 713,166</u> |

KOSSUTH COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

| | Special Revenue | | | | |
|--|---|--|-------------------------------------|-----------------------------|-----------------|
| | County Recorder's Records Management | Resource Enhancement and Protection | Conservation Land Acquisition | Special Response Team | DARE Program |
| Revenues: | | | | | |
| Property and other County tax | \$ - | \$ - | \$ - | \$ - | - |
| Intergovernmental | - | 11,163 | 95,964 | 1,513 | - |
| Charges for service | 3,949 | - | - | - | - |
| Use of money and property | 62 | 135 | - | - | - |
| Miscellaneous | - | - | 63,043 | - | 2,893 |
| Total revenues | 4,011 | 11,298 | 159,007 | 1,513 | 2,893 |
| Expenditures: | | | | | |
| Operating: | | | | | |
| Public safety and legal services | - | - | - | 1,513 | 3,335 |
| Government services to residents | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Capital projects | - | 2,500 | 153,733 | - | - |
| Total expenditures | - | 2,500 | 153,733 | 1,513 | 3,335 |
| Excess (deficiency) of revenues over (under) expenditures | 4,011 | 8,798 | 5,274 | - | (442) |
| Other financing sources (uses): | | | | | |
| Interfund transfers out | - | - | - | - | - |
| Note proceeds | - | - | - | - | - |
| Payments to fiscal agent | - | - | - | - | - |
| Drainage warrants issued | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balances | 4,011 | 8,798 | 5,274 | - | (442) |
| Fund balances beginning of year | 24,308 | 59,603 | 46,543 | 409 | 2,632 |
| Fund balances end of year | \$ 28,319 | \$ 68,401 | \$ 51,817 | \$ 409 | \$ 2,190 |

See accompanying independent auditor's report.

| | | | | | <u>Capital Projects</u> | |
|----------------------------|-------------------------------|---|--|---|----------------------------------|--------------|
| <u>Drug Forfeiture</u> | <u>Drainage Districts</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Local Option Sales Tax Revenue Bond</u> | <u>Midwest Grain Processors</u> | <u>Nature Center Project</u> | <u>Total</u> |
| \$ - | \$ - | \$ - | \$ 86,211 | \$ - | \$ - | \$ 86,211 |
| - | - | - | - | - | - | 108,640 |
| - | - | - | - | - | - | 3,949 |
| - | - | - | - | 139,415 | 23 | 139,635 |
| 500 | 357,717 | - | - | 17,510 | 206,936 | 648,599 |
| 500 | 357,717 | - | 86,211 | 156,925 | 206,959 | 987,034 |
| | | | | | | |
| - | - | - | - | - | - | 4,848 |
| - | - | 9,349 | - | - | - | 9,349 |
| - | 365,911 | - | 234,431 | - | - | 600,342 |
| - | 253,232 | - | - | - | 65,665 | 475,130 |
| - | 619,143 | 9,349 | 234,431 | - | 65,665 | 1,089,669 |
| | | | | | | |
| 500 | (261,426) | (9,349) | (148,220) | 156,925 | 141,294 | (102,635) |
| | | | | | | |
| - | - | - | (21,801) | (24,935) | - | (46,736) |
| - | - | - | - | 4,243,492 | - | 4,243,492 |
| - | - | - | - | (4,422,966) | - | (4,422,966) |
| - | 245,916 | - | - | - | - | 245,916 |
| - | 245,916 | - | (21,801) | (204,409) | - | 19,706 |
| | | | | | | |
| 500 | (15,510) | (9,349) | (170,021) | (47,484) | 141,294 | (82,929) |
| 4,841 | 131,351 | 9,349 | 170,021 | 47,484 | 37,517 | 534,058 |
| | | | | | | |
| \$ 5,341 | \$ 115,841 | \$ - | \$ - | \$ - | \$ 178,811 | \$ 451,129 |

KOSSUTH COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2006

| | Self Insurance | Employee Flexible Benefit Plan | Total |
|----------------------------------|---------------------|--------------------------------------|---------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and pooled investments | \$ 1,400,620 | \$ 4,973 | \$ 1,405,593 |
| Receivables: | | | |
| Accounts | 980 | - | 980 |
| Accrued interest | 24,195 | 2,555 | 26,750 |
| Total assets | <u>1,425,795</u> | <u>7,528</u> | <u>1,433,323</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 78,816 | - | 78,816 |
| Incurred but not reported claims | 176,112 | - | 176,112 |
| Total liabilities | <u>254,928</u> | <u>-</u> | <u>254,928</u> |
| Net Assets | | | |
| Unrestricted | <u>\$ 1,170,867</u> | <u>\$ 7,528</u> | <u>\$ 1,178,395</u> |

See accompanying independent auditor's report.

KOSSUTH COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2006

| | Self Insurance | Employee Flexible Benefit Plan | Total |
|--|---------------------|--------------------------------------|---------------------|
| Operating revenues: | | | |
| Reimbursements from operating funds | \$ 1,360,338 | \$ - | \$ 1,360,338 |
| Reimbursements from employees and others | 26,440 | 59,218 | 85,658 |
| Total operating | <u>1,386,778</u> | <u>59,218</u> | <u>1,445,996</u> |
| Operating expenses: | | | |
| Governmental activities: | | | |
| Medical claims | 880,302 | 59,633 | 939,935 |
| Administration and network access fees | 50,155 | - | 50,155 |
| Stop-loss premiums | 150,736 | - | 150,736 |
| Total operating expenses | <u>1,081,193</u> | <u>59,633</u> | <u>1,140,826</u> |
| Operating income (loss) | 305,585 | (415) | 305,170 |
| Non-operating revenues: | | | |
| Interest income | 38,879 | 2,555 | 41,434 |
| Net income | 344,464 | 2,140 | 346,604 |
| Net assets beginning of year | <u>826,403</u> | <u>5,388</u> | <u>831,791</u> |
| Net assets end of year | <u>\$ 1,170,867</u> | <u>\$ 7,528</u> | <u>\$ 1,178,395</u> |

See accompanying independent auditor's report.

KOSSUTH COUNTY
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2006

| | Self Insurance | Employee Flexible Benefit Plan | Total |
|--|-------------------|--------------------------------------|-------------------|
| Cash flows from operating activities: | | | |
| Cash received from operating fund reimbursements | \$ 1,360,338 | \$ - | \$ 1,360,338 |
| Cash received from employees and others | 25,460 | 59,218 | 84,678 |
| Cash paid to suppliers for services | (934,156) | (59,633) | (993,789) |
| Net cash provided by (used by) operating activities | <u>451,642</u> | <u>(415)</u> | <u>451,227</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | 17,069 | - | 17,069 |
| Purchase of investments | (1,009,374) | - | (1,009,374) |
| Net cash used by operating activities | <u>(992,305)</u> | <u>-</u> | <u>(992,305)</u> |
| Net decrease in cash and cash equivalents | (540,663) | (415) | (541,078) |
| Cash and cash equivalents at beginning of year | 931,909 | 5,388 | 937,297 |
| Cash and cash equivalents at end of year | <u>\$ 391,246</u> | <u>\$ 4,973</u> | <u>\$ 396,219</u> |
| Reconciliation of operating income (loss) to net cash provided by (used by) operating activities: | | | |
| Operating income (loss) | \$ 305,585 | \$ (415) | \$ 305,170 |
| Adjustment to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | | |
| (Increase) in accounts receivable | (980) | - | (980) |
| Increase in incurred but not reported claims | 147,037 | - | 147,037 |
| Net cash provided by (used by) operating activities | <u>\$ 451,642</u> | <u>\$ (415)</u> | <u>\$ 451,227</u> |
| Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets: | | | |
| Current assets: | | | |
| Cash and pooled investments | \$ 1,400,620 | \$ 4,973 | \$ 1,405,593 |
| Less items not meeting the definition of a cash equivalent: | | | |
| Certificates of deposit | (1,009,374) | - | (1,009,374) |
| Cash and cash equivalents end of year | <u>\$ 391,246</u> | <u>\$ 4,973</u> | <u>\$ 396,219</u> |

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KOSSUTH COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2006

| | County Offices | | | Agricultural |
|-------------------------------|--------------------|-------------------|-------------------------------------|------------------------|
| | County Recorder | County Sheriff | Central Point of Coordination | Extension Education |
| ASSETS | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ - | \$ - | \$ - | 1,487 |
| Other County officials | 41 | 9,240 | 805 | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | 172 |
| Succeeding year | - | - | - | 70,000 |
| Accounts | - | - | - | - |
| Accrued interest | - | - | - | - |
| Special assessments | - | - | - | - |
| Drainage assessments: | | | | |
| Current | - | - | - | - |
| Future | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | \$ <u>41</u> | \$ <u>9,240</u> | \$ <u>805</u> | \$ <u>71,659</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | - |
| Salaries and benefits payable | - | - | - | - |
| Due to other governments | 41 | - | - | 71,659 |
| Trusts payable | - | 9,240 | 805 | - |
| Drainage warrants payable | - | - | - | - |
| Compensated absences | - | - | - | - |
| Total liabilities | \$ <u>41</u> | \$ <u>9,240</u> | \$ <u>805</u> | \$ <u>71,659</u> |

| <u>County Assessor</u> | <u>Schools</u> | <u>Community Colleges</u> | <u>Corporations</u> | <u>Townships</u> | <u>County Hospital</u> | <u>Brucellosis and Tuberculosis Eradication</u> |
|----------------------------|----------------------|-------------------------------|---------------------|-------------------|----------------------------|---|
| \$ 205,279 | \$ 208,547 | \$ 12,691 | \$ 41,986 | \$ 6,616 | \$ 5,910 | \$ 66 |
| - | - | - | - | - | - | - |
| 658 | 22,881 | 1,653 | 17,881 | 385 | 684 | 8 |
| 269,000 | 10,017,000 | 667,000 | 3,259,000 | 279,000 | 280,000 | 3,000 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 474,937</u> | <u>\$ 10,248,428</u> | <u>\$ 681,344</u> | <u>\$ 3,318,867</u> | <u>\$ 286,001</u> | <u>\$ 286,594</u> | <u>\$ 3,074</u> |
| \$ 660 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| 461,584 | 10,248,428 | 681,344 | 3,318,867 | 286,001 | 286,594 | 3,074 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 12,693 | - | - | - | - | - | - |
| <u>\$ 474,937</u> | <u>\$ 10,248,428</u> | <u>\$ 681,344</u> | <u>\$ 3,318,867</u> | <u>\$ 286,001</u> | <u>\$ 286,594</u> | <u>\$ 3,074</u> |

KOSSUTH COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2006

| | City Special Assessments | Auto License and Use Tax | Drainage Districts | Civil Defense |
|-------------------------------|--------------------------------|-----------------------------------|-----------------------|------------------|
| ASSETS | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ 549 | \$ 327,421 | \$ 81,495 | \$ 22,655 |
| Other County officials | - | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | - |
| Succeeding year | - | - | - | - |
| Accounts | - | - | - | - |
| Accrued interest | - | - | - | - |
| Special assessments | 50,540 | - | - | - |
| Drainage assessments: | | | | |
| Current | - | - | 9,843 | - |
| Future | - | - | 1,353,869 | - |
| Due from other governments | - | - | - | 1,304 |
| Total assets | <u>\$ 51,089</u> | <u>\$ 327,421</u> | <u>\$ 1,445,207</u> | <u>\$ 23,959</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ 3,476 | \$ 287 |
| Salaries and benefits payable | - | - | - | 1,545 |
| Due to other governments | 51,089 | 327,421 | 848,131 | 18,964 |
| Trusts payable | - | - | - | - |
| Drainage warrants payable | - | - | 593,600 | - |
| Compensated absences | - | - | - | 3,163 |
| Total liabilities | <u>\$ 51,089</u> | <u>\$ 327,421</u> | <u>\$ 1,445,207</u> | <u>\$ 23,959</u> |

See accompanying independent auditor's report.

| <u>E-911 Surcharge</u> | <u>Agland Credit</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Total</u> |
|----------------------------|--------------------------|---|----------------------|
| \$ 84,160 | \$ 823 | \$ 368 | \$ 1,000,053 |
| - | - | - | 10,086 |
| - | - | - | 44,322 |
| - | - | - | 14,844,000 |
| 28,158 | - | - | 28,158 |
| 719 | - | - | 719 |
| - | - | - | 50,540 |
| - | - | - | 9,843 |
| - | - | - | 1,353,869 |
| - | - | - | 1,304 |
| <u>\$ 113,037</u> | <u>\$ 823</u> | <u>\$ 368</u> | <u>\$ 17,342,894</u> |
| \$ 10,267 | \$ - | \$ - | \$ 14,690 |
| 64 | - | - | 1,609 |
| 102,706 | 823 | 368 | 16,707,094 |
| - | - | - | 10,045 |
| - | - | - | 593,600 |
| - | - | - | 15,856 |
| <u>\$ 113,037</u> | <u>\$ 823</u> | <u>\$ 368</u> | <u>\$ 17,342,894</u> |

KOSSUTH COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2006

| | County Offices | | | Agricultural |
|---|--------------------|-------------------|-------------------------------------|------------------------|
| | County Recorder | County Sheriff | Central Point of Coordination | Extension Education |
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year, as restated | \$ 1,464 | \$ 10,501 | \$ 797 | \$ 71,708 |
| Additions: | | | | |
| Property and other County tax | - | - | - | 70,334 |
| E-911 surcharge | - | - | - | - |
| State tax credits | - | - | - | 4,705 |
| Payments in lieu of taxes | - | - | - | 98 |
| Office fees and collections | 273,583 | 187,485 | - | - |
| Auto license, use tax, drivers license and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | - | 100,166 | 10,260 | - |
| Miscellaneous | - | - | - | - |
| Total additions | 273,583 | 287,651 | 10,260 | 75,137 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 130,798 | 186,934 | - | - |
| To other governments | 144,208 | 551 | - | 75,186 |
| Trusts paid out | - | 101,427 | 10,252 | - |
| Total deductions | 275,006 | 288,912 | 10,252 | 75,186 |
| Balances end of year | \$ 41 | \$ 9,240 | \$ 805 | \$ 71,659 |

| <u>County Assessor</u> | <u>Schools</u> | <u>Community Colleges</u> | <u>Corporations</u> | <u>Townships</u> | <u>County Hospital</u> | <u>Brucellosis and Tuberculosis Eradication</u> |
|----------------------------|-----------------------------|-------------------------------|----------------------------|--------------------------|----------------------------|---|
| \$ <u>470,944</u> | \$ <u>9,863,756</u> | \$ <u>613,452</u> | \$ <u>3,274,521</u> | \$ <u>287,627</u> | \$ <u>285,788</u> | \$ <u>3,075</u> |
| 269,866 | 10,036,474 | 668,566 | 3,216,157 | 279,598 | 280,481 | 3,120 |
| - | - | - | - | - | - | - |
| 14,767 | 654,228 | 40,174 | 208,699 | 18,864 | 18,696 | 209 |
| 308 | 13,126 | 850 | 641 | 560 | 390 | 4 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 781 | - | - | - | - | - | - |
| <u>285,722</u> | <u>10,703,828</u> | <u>709,590</u> | <u>3,425,497</u> | <u>299,022</u> | <u>299,567</u> | <u>3,333</u> |
| - | - | - | - | - | - | - |
| 281,729 | 10,319,156 | 641,698 | 3,381,151 | 300,648 | 298,761 | 3,334 |
| - | - | - | - | - | - | - |
| <u>281,729</u> | <u>10,319,156</u> | <u>641,698</u> | <u>3,381,151</u> | <u>300,648</u> | <u>298,761</u> | <u>3,334</u> |
| \$ <u><u>474,937</u></u> | \$ <u><u>10,248,428</u></u> | \$ <u><u>681,344</u></u> | \$ <u><u>3,318,867</u></u> | \$ <u><u>286,001</u></u> | \$ <u><u>286,594</u></u> | \$ <u><u>3,074</u></u> |

KOSSUTH COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2006

| | City Special Assessments | Auto License and Use Tax | Drainage Districts | Civil Defense |
|---|--------------------------------|-----------------------------------|-----------------------|------------------|
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year, as restated | \$ 59,525 | \$ 367,438 | \$ 55,064 | \$ 28,434 |
| Additions: | | | | |
| Property and other County tax | - | - | - | - |
| E-911 surcharge | - | - | - | - |
| State tax credits | - | - | - | - |
| Payments in lieu of taxes | - | - | - | - |
| Office fees and collections | - | - | - | - |
| Auto license, use tax, drivers license and postage | - | 4,224,444 | - | - |
| Assessments | 2,518 | - | 1,001,462 | - |
| Trusts | - | - | - | - |
| Miscellaneous | - | - | 481,057 | 48,896 |
| Total additions | 2,518 | 4,224,444 | 1,482,519 | 48,896 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | - | 162,984 | - | - |
| To other governments | 10,954 | 4,101,477 | 685,976 | 53,371 |
| Trusts paid out | - | - | - | - |
| Total deductions | 10,954 | 4,264,461 | 685,976 | 53,371 |
| Balances end of year | \$ 51,089 | \$ 327,421 | \$ 851,607 | \$ 23,959 |

See accompanying independent auditor's report.

| <u>E-911 Surcharge</u> | <u>Agland Credit</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Tax Sale Redemption</u> | <u>Total</u> |
|----------------------------|--------------------------|---|--------------------------------|-----------------------------|
| \$ <u>57,634</u> | \$ <u>823</u> | \$ <u>349</u> | \$ <u>-</u> | \$ <u>15,452,900</u> |
| - | - | - | - | 14,824,596 |
| 122,821 | - | - | - | 122,821 |
| - | - | - | - | 960,342 |
| - | - | - | - | 15,977 |
| - | - | 3,887 | - | 464,955 |
| - | - | - | - | 4,224,444 |
| - | - | - | - | 1,003,980 |
| - | - | - | 25,516 | 135,942 |
| 1,975 | - | - | - | 532,709 |
| <u>124,796</u> | <u>-</u> | <u>3,887</u> | <u>25,516</u> | <u>22,285,766</u> |
| - | - | - | - | 480,716 |
| 69,393 | - | 3,868 | - | 20,371,461 |
| - | - | - | 25,516 | 137,195 |
| <u>69,393</u> | <u>-</u> | <u>3,868</u> | <u>25,516</u> | <u>20,989,372</u> |
| \$ <u><u>113,037</u></u> | \$ <u><u>823</u></u> | \$ <u><u>368</u></u> | \$ <u><u>-</u></u> | \$ <u><u>16,749,294</u></u> |

KOSSUTH COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

| | Modified Accrual Basis | | | |
|--------------------------------------|------------------------|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2004 | 2003 |
| Revenues: | | | | |
| Property and other County tax | \$ 7,576,865 | \$ 7,803,670 | \$ 7,103,839 | \$ 6,547,021 |
| Interest and penalty on property tax | 46,499 | 44,482 | 57,781 | 40,346 |
| Intergovernmental | 6,266,103 | 6,142,002 | 6,113,661 | 6,434,824 |
| Licenses and permits | 7,400 | 5,380 | 5,475 | 8,695 |
| Charges for service | 596,673 | 604,716 | 574,205 | 540,219 |
| Use of money and property | 412,230 | 900,243 | 806,282 | 384,202 |
| Miscellaneous | 672,894 | 456,074 | 381,174 | 520,849 |
| Total | <u>\$ 15,578,664</u> | <u>\$ 15,956,567</u> | <u>\$ 15,042,417</u> | <u>\$ 14,476,156</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 2,290,873 | \$ 2,362,163 | \$ 2,339,538 | \$ 2,217,988 |
| Physical health and social services | 364,265 | 331,501 | 371,569 | 455,870 |
| Mental health | 2,045,768 | 1,936,360 | 1,981,917 | 1,972,111 |
| County environment and education | 652,165 | 614,154 | 680,678 | 5,667,513 |
| Roads and transportation | 5,470,796 | 5,200,058 | 5,192,082 | 5,024,615 |
| Government services to residents | 697,018 | 702,475 | 483,952 | 397,752 |
| Administration | 1,403,489 | 1,349,743 | 1,287,253 | 1,255,880 |
| Non-program | 59,806 | 61,364 | 59,039 | 56,464 |
| Debt service | 600,342 | 1,435,788 | 1,267,555 | 824,949 |
| Capital projects | 1,701,461 | 2,188,798 | 1,379,788 | 1,148,667 |
| Total | <u>\$ 15,285,983</u> | <u>\$ 16,182,404</u> | <u>\$ 15,043,371</u> | <u>\$ 19,021,809</u> |

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Kossuth County:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kossuth County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Kossuth County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 and I-B-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kossuth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Kossuth County and other parties to whom Kossuth County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Kossuth County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 14, 2006

KOSSUTH COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

| | <u>Applicable Offices</u> |
|--|-------------------------------|
| (1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Sheriff, Treasurer |
| (2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash. | Sheriff, Treasurer |
| (3) Payroll warrants should be signed by an individual who does not otherwise participate in the preparation of the warrants. After signing, the warrants should be mailed or distributed without allowing them to return to individuals who prepare the warrants or approve vouchers for payment. | Auditor |
| (4) Detailed investment records are not maintained by a person who is not the custodian of the investments. | Treasurer |

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-06 Segregation of Duties (continued)

Responses –

County Auditor – We will try to have another person sign off and review checks or warrants.

County Sheriff – Lack of staff would make this difficult.

County Treasurer – We will try to segregate duties to the extent present staff size allows. Bank reconciliations are now reviewed periodically and signed off by someone who does not reconcile them. Investment records will be reviewed periodically and signed off by someone who does not work with investments.

Conclusion – Responses accepted.

I-B-06 County Treasurer Bank Reconciliations – Bank reconciliations were not performed in a timely manner and variances were not adequately resolved. At June 30, 2006, the book balance was \$1,651 greater than the bank balance.

Recommendation – Bank reconciliations should be performed monthly and tied to the general ledger. Any variances should be investigated and resolved timely.

Response – We will make an effort to reconcile bank accounts sooner and continue to work on resolving variances.

Conclusion – Response accepted.

I-C-06 Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- frequency of changing passwords, prohibiting reuse of passwords and required length of passwords.
- ensuring software not licensed to the County is not installed.

Recommendation – The County should develop written policies addressing the above items to improve control over computer based systems.

Response – We approved a computer password policy in February 2007.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- I-D-06 County Sheriff Jail Commissary Account and Reserve Officers Account – Jail commissary profits have been accumulating in the bank account and have not been remitted to the County Treasurer. Purchases of equipment for the jail were noted from this account and not included in the County’s budget or financial reports.

A separate bank account is maintained for activity related to the County Sheriff Reserve Officers. The revenues and expenditures of this account are not reflected in the County’s accounting system and have not been included in the County’s annual budget or financial reports.

Recommendation – Commissary profits and Reserve Officers revenues should be remitted to the County Treasurer for deposit into their own Special Revenue Funds to ensure the revenue and related expenditures are properly budgeted and reflected in the County’s accounting system.

Response – We will consider setting up a special revenue fund for commissary profits for the purchase of non-resale items for the jail. The Board of Supervisors will follow the recommendation regarding the Sheriff’s Reserve Officers account.

Conclusion – Response acknowledged. However, commissary profits should be remitted to the County Treasurer and non-resale items should be budgeted and purchased out of this account using regular County claim procedures.

- I-E-06 Sheriff’s Evidence Room – A logbook is not maintained for property located in the evidence room.

Recommendation – To properly account for all property received, a logbook should be maintained for items placed in the evidence room.

Response – A copy of the evidence is maintained in each case file. As time allows, I will file a copy of each case in a three ringed binder.

Conclusion – Response accepted.

- I-F-06 Inmate Room and Board Fees – The Sheriff’s Office does not maintain a ledger of the amounts due from inmates for room and board fees. The County does not have written policies or procedures for billing and collecting room and board fees.

Recommendation – A ledger should be maintained for each inmate detailing billings, collections and balances. The County should develop policies and procedures for billing and collecting room and board fees.

Response – We will try to get together with the County Attorney to develop a policy. Again short staffing makes this a difficult task.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- I-G-06 Untimely Deposits – We noted one deposit for Landfill receipts that was not timely. The receipts were held for ten days before being deposited.

Recommendation – All receipts should be deposited timely to safeguard the asset and avoid any possible irregularities. Deposits should be made on a weekly basis at a minimum.

Response – We will make sure that receipts are deposited timely in the future.

Conclusion – Response accepted.

- I-H-06 County Extension Office Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Extension Office's financial records. Generally, one individual in the County Extension Office may have control over receipt collecting, recording, depositing and bank reconciling for which no compensating controls exist. In addition, incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Agricultural Extension Council should review the operating procedures of its office to obtain the maximum internal control possible under the circumstances. The Council should utilize current personnel to provide additional control through review of financial transactions and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Extension Office process will be reviewed to be certain all checks from the mail or walk-ins are listed with check numbers in the receipt book. The duty of opening incoming mail will be rotated among staff as much as possible. Bank accounts will be reconciled by staff who do not sign checks.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.
- II-B-06 Questionable Expenditures – No certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-06 Business Transactions – Business transactions between the County and County officials or employees were detailed as follows:

| Name, Title and Business Connection | Description | Amount |
|---|------------------|---------|
| Norma Ruhnke, Auditor's Office, Sons are owners of Ruhnke Brothers | Fuel and repairs | \$9,452 |

In accordance with Chapter 331.342(4) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the employee's remuneration of employment is not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contract.

- II-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

- II-F-06 Board Minutes – We noted one interfund transfer that was not approved in the Board minutes.

Recommendation – All interfund transfers should be approved by the Board in accordance with Chapter 331.432(4) of the Code of Iowa.

Response – This transfer was for the landfill postclosure costs as calculated in the landfill financial assurance annual report. We will make sure that the board approves these annual transfers in the future.

Conclusion – Response accepted.

- II-G-06 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy. However, the interest rate on two certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Recommendation – The County should be aware of the current allowable rates to insure that at least the minimum rate is received for all investments. The certificates of deposit, when renewed, should be renewed at rate of interest which meets the current minimum rate for public funds on the date of renewal.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-G-06 Deposits and Investments (continued)

Response - The certificates will be renewed at allowable rates.

Conclusion – Response accepted.

II-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-06 Solid Waste Fees Retained – During the year ended June 30, 2006, the County used or retained the solid waste fees in accordance with Chapters 455B.310(3) and (4) of the Code of Iowa.

II-J-06 Financial Assurance – The Kossuth County Landfill has demonstrated financial assurance for closure and postclosure care costs through the local government financial test mechanism as provided in Section 567, Chapter 111.6(6) of the Iowa Administrative Code. The Landfill has adequately demonstrated proof of financial assurance compliance.

II-K-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

II-L-06 Outstanding Warrants – The County Auditor and the County Treasurer did not cancel warrants and checks outstanding for more than one year as required by Chapter 331.554 of the Code of Iowa.

Recommendation – County warrants and checks outstanding for more than one year should be canceled as required.

Response – We will follow the recommendation.

Conclusion – Response accepted.

II-M-06 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. However, Titonka Savings Bank was not listed in the resolution.

Recommendation – The County should update the depository resolution to include all depositories used by the County.

Response – This bank was inadvertently left off the depository resolution. We updated our depository resolution in August 2006 to properly include all banks.

Conclusion – Response accepted.

KOSSUTH COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-N-06 Transfers – Chapter 331.429 of the Code of Iowa outlines the maximum allowable transfers of funds from the General Basic Fund and Special Revenue, Rural Services Fund to the Special Revenue, Secondary Roads Fund. The maximum transfer is based on collections of property tax and related credits and does not include local option sales and services tax collections. During the year ended June 30, 2006, the County exceeded the maximum allowable transfer from the Rural Services Fund by \$54,229 due to the inclusion of the local option sales and services tax. The local option sales and services tax ballot language states the collections are to be used for property tax relief in the Rural Basic Fund and any lawful purpose in the Rural Basic Fund. No mention of the Secondary Roads Fund is made on the ballot.

Recommendation – The County should calculate the maximum allowable transfer based on Chapter 331.429 of the Code of Iowa. The local option sales and services tax should be used for expenditures from the Rural Services Fund for allowable purposes and not included in transfers to the Secondary Roads Fund once the maximum allowable transfer has been met for the year.

Response – We will use the local option sales and services tax for allowable expenditures and not as part of the transfers starting July 1, 2007.

Conclusion – Response accepted.

- II-O-06 Credit Cards – The County has credit cards for use by County employees. However, the County does not have a written policy regarding credit card usage.

Recommendation – The County should prepare and implement a credit card usage policy.

Response – We will consider adopting such a policy.

Conclusion – Response accepted.

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